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THE WASHINGTON POST
31 January 1982

Cries and Whispers— —Washington Leaks All

By Les Whitten

Special to the Washington Post

THE SCREECH of the White House leak pluggers is abroad in the land. I can remember its peculiar timbre all the way back to the Truman days. Real old-timers still hear its echoes from the Hoover administration.

The leak seekers never learn. They are the kind of people who wear Gucci shoes and natural-shoulder, hand-tailored suits, but they keep epaulets under their pillows.

They don't understand the leakers because they don't understand the public's love-hate affair with the newspapers. Leakers are like ear syringes. The more pressure one puts on them, the more they squirt into our ears.

For 30 years now, my ears have been awash with leaks, with Jack Anderson, but also with the Hearst newspapers, The Washington Post and others. Where most people hear ringing in their ears after they pass 50, I hear whispering.

President Reagan and his mahouts are baffled by the psychology of leaks. Reagan complains that leaks are at "a new high here . . . leaks that are destructive of the foreign policy."

Assistant Defense Secretary Henry E. Catto Jr. huffs about "the principle of the thing . . . the expression of minority [policy] opinions via leaks." White House spokesmen David R. Gergen and Larry Speakes try to explain why practically every agency head from the CIA to Fish and Wildlife wants hunt-and-destroy missions against leakers.

And then there is the dumbfounding sight of Deputy Defense Secretary Frank C. Carlucci volunteering to take the first lie-detector test to

prove he didn't leak secrets from a meeting he chaired.

Why do leakers leak? They do it for a variety of reasons. Presidents do it to get their thoughts across without having to take responsibility for them. Or as trial balloons. Or sometimes, they, being no more decent than the rest of us, use leaks to destroy their enemies.

Cabinet members and agency heads tend to follow the presidential psychology on leaks. While lesser folk may leak out of friendship, idealism, even whimsy, at the top level the motive is more often self-interest, malice and anger. Whatever it is, it is Washington free enterprise in action.

Leakers come in many archetypes. There are the Idealists, the Avengers, Friends and Mad Bombers.

At its most artistic, leaking is a form of expression that can rival the *grands jetes* of Baryshnikov, the cadenza of a Chopin or the brush stroke of an El Greco.

'Capital of Leaks'

The master of the leak-qua-art is Lyn Nofziger, the waggish Til Eulenspiegel of this otherwise self-important administration. It is worth noting that he just jumped ship with a remark about his rat-like prescience.

Nofziger understands that hanging leakers may require a two-branched gibbet and one of the branches may be the present executive branch. Nofziger knows his history. He lived it.

After all, a Watergate document informs us that "Whenever possible Nofziger" — then a high Nixon official — "planted stories favorable to the Nixon administration with news-

men, on his own or at the request of [H.R.] Haldeman . . ."

The document goes on:

"After the California primary, Nofziger sent a person from the Committee to Re-Elect the President into the California McGovern office . . . in an attempt to find a form which purportedly told McGovern volunteers how to get on welfare." Had Nofziger's ingenuity paid off, which it didn't, he would surely have leaked it to a friendly reporter.

Indeed, he generally was more successful. In another caper before he joined the Reagan White House, he used a chain of friendships to squeeze documents from the office of a rival presidential candidate.

To his delight, they showed that the seemingly prim and proper aspirant had misused federal funds. Nofziger leaked the documents to a reporter. The story made the candidate look like a hypocrite and probably was a factor in his dismal primaries showing.

Nofziger is anything but unique. Leaking in Washington is good business. Richard L. Strout of the Christian Science Monitor, who calls it the "Capital of Leaks," recounts how an irate President Kennedy once ordered his press man, Pierre Salinger, to root out a leak. Salinger gleefully reported back that Kennedy himself was the culprit.

More ominously, Bobby Kennedy's Justice Department went to considerable lengths to ruin what was left of Jimmy Hoffa's tarnished reputation. When the Teamsters boss was arrested for slugging a weaker aide, a Justice official leaked out the news even before the police reports were typed up.

The beat reporters at Washington's Metropolitan Police headquarters were staggered to see a herd of political reporters arriving at the booking desk on a story they them-

CHICAGO SUN-TRIB
30 January 1982

Loose talk on 'loose lips' danger

The Reagan administration, besides running lie-detector tests against leaks, is supporting a drive to roll back the Freedom of Information Act, the law that helps you know what your tax dollars are doing.

Intelligence agencies especially suffer under the act, the administration says. Pressed for specifics, it begs off. Citing case histories would violate security, it says.

Perhaps members of the Senate Constitution subcommittee expected more from CIA Director William J. Casey when they called him in for a secret session last December. The testimony was classified, after all, and could be released only after experts determined it wouldn't give away any of America's secrets.

It has now been so declassified—though it does reveal one thing: The administration seems to be talking through its hat. Here's some of the Q-and-A among Senators Orrin G. Hatch (R-Utah), Dennis DeConcini (D-Ariz.), Patrick Leahy (D-Vt.) and Casey:

Casey: Our agent network is placed in jeopardy. Good agents decide they cannot entrust their careers, their lives, their reputations to work for us because they just don't have confidence that we can keep secrets.

Hatch: You have pinpointed some agents who have quit for that reason?

Casey: Yes.

Hatch: How many do you have, Mr. Director?

Casey: I don't know. We certainly don't have them all. You quit because of a variety of reasons.

DeConcini: Can you tell us how many? Six? A dozen? Three dozen?

Casey: I really can't tell you. I would be guessing.

DeConcini: But you know firsthand having talked to some?

Casey: No, no. I get this as hearsay in the organization.

Hearsay? Later in the same session:

Casey: . . . In the last couple of months we have had two instances where very productive agents in very important countries have asked to be taken out on the basis that they felt insecure.

Leahy: Because of FOIA [the Freedom of Information Act]?

Casey: I can't say that. I can't say FOIA. The general atmosphere of insecurity and lack of confidence in the ability to keep secrets.

General "insecurity" is a horrible thing when you're a secret agent—but it's also a horrible reason for changing a law that has proven its worth far more than its "harm."

Rowland Evans and Robert Novak

Clark Moves to Reaganize Foreign Policy

President Reagan picked up his White House telephone early last week for a long and friendly discussion of his administration's foreign policy, a call remarkable only for the fact that the man he telephoned across the continent in California was Henry A. Kissinger.

Coupled with the rise in the White House of William Patrick Clark, the renewed Reagan-Kissinger contact contains the seed of new competition for Secretary of State Alexander Haig's unquestioned policy dominance in the wake of Richard V. Allen's dismissal as National Security Council assistant.

Reagan had just finished reading Kissinger's sharp criticism of U.S. foreign policy in two New York Times articles Jan. 17 and 18. What struck him was Kissinger's warning that the "disarray of the Western alliance" and "indecision" in Washington following the Dec. 13 crackdown in Poland threatened "a decisive turning point in Western history."

Far from taking offense, Reagan wanted to know more. What Kissinger had written reflected his own growing concern. The president's concern has been the topic of intimate Oval Office strategy talks arranged for Reagan with increasing intensity by Clark. Allen's successor as the president's NSC assistant.

At work here is no planned cabal to cut down Al Haig. Haig's sensitivity to intrusion on his turf is well known in the White House, first felt there way back on Inauguration Day. Nevertheless, the substitution for Allen by Clark is a portent of utmost significance for Reagan, Haig and U.S. foreign policy. Moving slowly and conferring frequently with Kissinger and other outsiders, Clark is combining his amiable personality and iron loyalty to Reagan to push the president into the center of national security policy.

That conflicts with the fashionable view of Haig's new dominance. With Clark, his former State Department deputy, in control of machinery in the White House and non-political professionals installed at the top of his State Department, Haig's dominance is said to be complete. The contrary is closer to the truth: Clark's insistence that policy will now follow the instincts and ideological convictions of his old California friend may weaken, not strengthen, Al Haig.

Clark's move to the White House coincided with the deluge of Reaganite and neo-conservative attacks on the administration's post-Po-

land reactions. These have centered on what Kissinger (no Reaganite or neo-conservative) called "sanctions of marginal significance" against Moscow and "eagerness to continue all negotiations" with the Soviets.

Even before Kissinger wrote those words, Reagan had privately decided (with no dissent from Haig) to cancel the second day of the Haig-Andrei Gromyko Geneva talks and ignore strategic arms talks. Clark knows that Reagan has been at least one step ahead of the State Department on wanting punitive actions against Moscow. White House insiders say he is quietly pushing the president to assert his own will with greater force, well aware that if post-Poland policy follows Reagan's instincts the hue and cry from the right wing will diminish.

Clark is not alone in wanting to convert hard-line Reaganites from enemies of administration foreign policy to active allies. White House chief of staff James Baker III, closely tuned in to conservatives on Capitol Hill, had a hand in vetoing Haig's choice of Robert D. Hormats to succeed Myer Rashish, fired for unknown reasons by Haig as undersecretary of state for economic affairs. An ideological neuter, Hormats has long been on the right-wing hate list.

With the Hormats veto apparently sealed, Clark is eyeing Dr. William Schneider Jr., a tested Reaganite hard-liner and now associate director for national security in the Office of Management and Budget, for Rashish's job. Schneider's move to State's key economic policy post would give Reaganites what they have lacked since Clark's departure: the eyes and ears of a White House insider at Haig's State Department.

Without intending any affront to Haig, Clark's effort to Reaganize administration foreign policy to the point that precisely fits Reagan's convictions is transforming the NSC apparatus. In his early-morning intelligence briefings for the president, Clark brings along a varying menu: Haig one day, Secretary of Defense Caspar Weinberger the next, CIA Director William Casey on another, sometimes NSC senior staffers.

Clark is engaged in opening Reagan's eyes to a wide spectrum of opinion—all the way to Henry A. Kissinger. His purpose is to encourage Reagan's own tendencies, not subvert Haig. But in six months Al Haig may look back to the Dick Allen regime with nostalgia.

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THE WASHINGTON POST
29 January 1982

CIA Chief Proposes Shielding Agents From Prosecution

By Ronald J. Ostrow
Los Angeles Times

Central Intelligence Agency Director William J. Casey has proposed that Congress shield CIA agents from criminal prosecution while they are on legitimate missions, a proposal that Department of Justice intelligence experts fear would sanction lawbreaking, it was learned yesterday.

Casey made the proposal in a letter last month to Attorney General William French Smith, who has not yet decided whether to incorporate it in the administration's effort to revise the federal criminal code.

But the Justice Department's office of intelligence policy review has strongly recommended against supporting Casey, saying his proposal would permit CIA agents to "freely engage" in otherwise illegal activities without authorization or approval from the department.

On the other hand, CIA officials said the proposed change would give the agency no more latitude than it already enjoys under current law and that it wanted only to "maintain our capabilities to do the kinds of things we do abroad."

Casey's proposal would add this language to the federal criminal code:

"Nothing in [federal criminal law] shall be construed to create criminal liability for the conduct of intelligence activities by a federal public servant that are authorized and conducted in accordance with the Constitution and applicable federal statutes, executive orders, presidential directives and department or agency regulations which regulate the conduct of intelligence activities."

As an example of the kinds of violations this could lead to, according to Smith's intelligence policy review office, a CIA source authorized to collect foreign intelligence outside the United States might participate in an international narcotics transaction or bribe a foreign official to maintain his cover.

Under Casey's proposal, an agent would not be punished in U.S. courts.

The timing of Casey's proposal is the subject of its controversy. It was made public after President Reagan imposed restrictions on the nation's intelligence agencies and when the CIA is under scrutiny for possible involvement of some of its operatives and ex-agents in training Libyan terrorists.

Stanley Sporkin, the CIA's general counsel, said that he regarded the proposal as a technical, legal matter and not a policy change. "It has not been expressed to me that any branch of the government has a concern with this," Sporkin said.

But Richard K. Willard, formerly Smith's counsel for intelligence policy, was said to have warned the attorney general that Casey's proposal would be misinterpreted by the public and Congress. According to colleagues, Willard said that the Casey proposal would sow the seeds for serious and continuing misunderstanding between the Department of Justice and the CIA.

Sporkin said that the CIA's legal staff drew up the proposal in response to legislation pending in Congress to revise the federal criminal code. The legislation would expand the extraterritorial jurisdiction of the United States.

Casey said in his letter to Smith that the criminal code revision legislation lacks "a definitive statement" on the relationship between the code and the conduct of intelligence activities.

"The absence of such a statement combined with the expanded extraterritorial federal jurisdiction that the legislation provides creates uncertainties that could seriously impair intelligence efforts," Casey wrote.

He said that if the proposed code were adopted, an agent carrying out legitimate intelligence activities would have standing between him and criminal prosecution only the discretion of a prosecutor and "the common-law defense of exercise of public authority."

Sporkin said the CIA proposal represented "an abundance of caution. We want to be sure we're not inadvertently involved in a violation where one of our agents has fully complied with all aspects of American law."

Several Justice Department officials discussed the Casey proposal only on condition that they not be identified.

One official called the proposal "harebrained." Another said the CIA had "overreacted."

ASSOCIATED PRESS

28 January 1982

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7PM-CASEY-FOIA,660

7CASEY TESTIMONY DISAPPOINTS SENATE PANEL

7BY MICHAEL J. SNIFFEN

7ASSOCIATED PRESS WRITER

WASHINGTON (AP) - ANOTHER SENATE COMMITTEE IS ABOUT TO GIVE CIA DIRECTOR WILLIAM CASEY A LESS-THAN-ENTHUSIASTIC REVIEW FOR HIS TESTIMONY; THIS TIME ON THE FREEDOM OF INFORMATION ACT.

IT WILL BE THE SECOND TIME IN TWO MONTHS THAT A PANEL OF THE REPUBLICAN-CONTROLLED SENATE HAS FOUND FAULT WITH CASEY. AFTER INVESTIGATING HIS PAST BUSINESS PRACTICES; THE SENATE INTELLIGENCE COMMITTEE DECIDED IN DECEMBER HE WAS "NOT UNFIT TO SERVE" BUT CRITICIZED OMISSIONS IN HIS ANSWERS TO COMMITTEE QUESTIONS.

NOW; REPUBLICAN ORRIN HATCH; CHAIRMAN OF THE SENATE CONSTITUTION SUBCOMMITTEE; SAYS HE IS WILLING TO HAVE THE PANEL'S REPORT EXPRESS DISAPPOINTMENT THAT CASEY DIDN'T GIVE MORE SPECIFICS TO SUPPORT HIS CLAIM THAT THE FREEDOM OF INFORMATION ACT HAS HARMED THE AGENCY.

DEMOCRATS WHO HEARD CASEY'S CLOSED-DOOR TESTIMONY DEC. 9 ARE MORE UPSET.

SEN. PATRICK LEAHY; D-VT.; CALLED THE TESTIMONY CONTRADICTORY AND SEN. DENNIS DECONCINI; D-ARIZ.; TOLD THE SUBCOMMITTEE DEC. 14:

"THE INFORMATION GIVEN TO US BY THE CIA DIRECTOR WAS ANYTHING BUT SPECIFIC AND LEFT ME WITH GREAT DISTRESS AND ANXIETY WITH AN AGENCY THAT LACKS THE DIRECTION OR AT LEAST IS NOT WILLING TO CONFIDE IN THE COMMITTEE MEMBERS IN A PRIVATE; CLOSED SESSION."

AS PART OF ITS CONSIDERATION OF PROPOSALS BY HATCH AND THE REAGAN ADMINISTRATION TO RESTRICT THE PUBLIC'S RIGHT TO GET GOVERNMENT DOCUMENTS UNDER THE ACT; THE SUBCOMMITTEE CALLED BOTH CASEY AND FBI DIRECTOR WILLIAM WEBSTER FOR PRIVATE TESTIMONY EXPECTING TO HEAR SPECIFIC EXAMPLES OF HOW THE FOI HAS HARMED THEIR AGENCIES.

THE SENATORS' CONCERN CENTERS ON THE FOLLOWING PORTION OF CASEY'S TESTIMONY; WHICH HAS NOW BEEN DECLASSIFIED:

CASEY: OUR AGENT NETWORK IS PLACED IN JEOPARDY. GOOD AGENTS DECIDE THEY CANNOT ENTRUST THEIR CAREERS; THEIR LIVES; THEIR REPUTATIONS TO WORK FOR US BECAUSE THEY JUST DON'T HAVE CONFIDENCE THAT WE CAN KEEP SECRETS.

HATCH: YOU HAVE PINPOINTED SOME AGENTS WHO HAVE QUIT FOR THAT REASON?

ASSOCIATED PRESS

28 January 1982

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7PM-CASEY-FOIA,660

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WASHINGTON POST
28 JANUARY 1982

The French Ambassador Exchange

De Laboulaye Bows Out; Vernier-Palliez Makes Himself at Home

By Donnie Radcliffe

Reprinted from yesterday's late editions

The French Embassy did its part Tuesday night to perpetuate the notion that there are times when Washington doesn't know whether it's coming or going.

In the case of two French ambassadors, they were coming and going. But François de Laboulaye, who is leaving after four years, and Bernard Vernier-Palliez, who is arriving, did it with such flair that some ambassadors decided it ought to become an Embassy Row tradition.

The tip-off that the two-in-one party had been a hit in more ways than one came toward the end when the secretary of defense gobbled up three of chef Francis Layrle's addictive lemon tarts, an act regarded almost as politically significant as his presence in the first place.

"Why significant?" inquired Caspar Weinberger, reaching for a plump shrimp and downing it while being reminded that some people have been under the impression the United States is irked by recent actions of the French. The decision to sell military equipment to Nicaragua, for instance.

"Well," said the secretary, "we're not irked with a very fine ambassador who, with his lovely wife, needs to be sent off in style."

And what about the alliance, that historically imperfect relationship between France and the United States whose status a few minutes earlier de Laboulaye's successor, Ambassador-designate Vernier-Palliez, had described as "fair" and let it go at that?

"Stronger than many people seem to write about," said Weinberger, also letting it go at that.

Even in the crush of hundreds, there were those who stood out, such as administration heavies Attorney General William French Smith, Agriculture Secretary John R. Block, HUD Secretary Samuel R. Pierce Jr. and CIA Director William Casey; National Symphony conductor Mstislav Rostropovich; the Most Rev. James A. Hickey, archbishop of Washington; Irina Dobrynin, standing in for Soviet Ambassador Anatoliy F. Dobrynin, who is in Geneva; Federal Reserve Board Chairman Paul Volcker, and a lively turnout from social Washington.

Politicos, like Sen. Claiborne Pell (D-R.I.), who was made an officer of the prestigious French Legion of Honor, Sen. Charles McC. Mathias Jr. (R-Md.), Sen. Lloyd M. Bentsen Jr. (D-Tex.), Rep. Millicent Fenwick (R-N.J.) and Rep. Lindy Boggs (D-La.), and diplomats, such as the ambassadors of Morocco, Algeria, Cyprus, Egypt, Togo and Luxembourg, were en route to President Reagan's State of the Union message.

Others in the crowd said they had already gotten the message.

"Unhappily, things are getting better for the Democrats, for the wrong reasons — the failure of this administration," said Robert Strauss, a former Democratic National Committee chairman and Carter administration official.

Said G. William Miller, former secretary of the treasury under Jimmy Carter: "The [Reagan administration's] first year is right on target with what I predicted. Bad."

People talked about other things, too. Like Bernard and Denise Vernier-Palliez's interest in music ("I hear he's an opera buff," said the Washington Opera Society's Martin Feinstein) and art ("He built a collection of modern art at the Renault factory," said Sen. Mathias).

Among Antoinette de Laboulaye's tennis cronies who paid respects were Olga Hirshhorn and B.J. Bentsen.

Vernier-Palliez's position as chief executive officer of the Renault automobile factory in France aroused some speculation about the car he'll be riding in as ambassador. An embassy spokesman set the record straight: the official car will be a new Peugeot 604 turbo diesel, his personal car a Renault.

In the kitchen where more pâtes and lemon tarts awaited another hello-and-farewell reception tonight, this one for embassy personnel and a few members of the French community, chef Layrle wrote out some of the de Laboulayes' favorite recipes to send with them when they fly home to Normandy via Guadeloupe and Martinique. They are already planning a return visit.

"We've been friends a long time," said Bernard Vernier-Palliez. "Antoinette and I went to dances and used to ski together. That was before she married Francois, of course."

DIRECTOR OF CENTRAL INTELLIGENCE DIRECTIVE
NATIONAL FOREIGN INTELLIGENCE COUNCIL

(Effective 28 January 1982)

Pursuant to the provisions of Section 102, the National Security Act of 1947, and Executive Order 12333, there is established a National Foreign Intelligence Council (NFIC).

1. Mission

The NFIC will serve as the senior Intelligence Community advisory instrumentality to the Director of Central Intelligence (DCI) on national intelligence issues, other than the substantive aspects which are the responsibility of the National Foreign Intelligence Board.

2. Functions

The NFIC will advise the DCI on:

- a. Priorities and objectives for the National Foreign Intelligence Program budget.
- b. Such other matters as may be referred to it by the DCI.

3. Composition and Organization

The NFIC will be chaired by the DCI or the DDCI, or in their absence, by their designated representative.

The membership is as follows:

Director of Central Intelligence, Chairman
Deputy Director of Central Intelligence, Vice-Chairman
Executive Director, Central Intelligence Agency
Director, National Security Agency
Director, Defense Intelligence Agency
Director, Intelligence and Research, Department of State
Assistant Director, Federal Bureau of Investigation
(Intelligence Division)
Assistant Secretary for International Affairs, Department of Energy
Special Assistant to the Secretary of the Treasury (National Security)
Senior representatives of the military intelligence services
Senior representatives of the Department of Defense special reconnaissance programs
Senior representative of the Secretary of Defense
Senior representative of the Attorney General
Senior representative of the Secretary of Commerce
Senior representative of the Assistant to the President for National Security Affairs

The NFIC will be supported by an Executive Secretariat.

William J. Casey
Director of Central Intelligence

NEWSDAY (NY)
26 JANUARY 1982

Casey Interest Seeks U.S. Aid

By Myron S. Waldman

Newsday Washington Bureau

Washington—A firm in which CIA Director William J. Casey holds an indirect financial interest has been selected as one of 11 finalists to be considered for thousands of dollars worth of federal aid.

The United States Synthetic Fuels Corp., a government-sponsored firm, picked the First Colony project of Peat Methanol Associates, which aims to turn peat into alcohol, as a finalist.

Peat Methanol Associates is a partnership of Energy Transition Corp., a consulting firm based here, and Koppers Co. Casey owns a one-fifth interest in Energy Transition Corp. stock that amounts to \$10,000. Like the Roslyn Harbor lawyer, his four partners are former officials in the administrations of Richard Nixon and Gerald Ford: Frank Zarb, former head of the Federal Energy Administration; William Turner, former ambassador to the Organization for Economic Cooperation and Development; Charles Robinson,

a former undersecretary of state who negotiated the 1972 grain deal with the Soviet Union, and Robert Fri, former deputy administrator of the Energy Research and Development Administration.

Casey resigned as vice president and secretary of Energy Transition Corp. a few days before the beginning of his confirmation hearings to become director of the Central Intelligence Agency, but kept control of his stock. But Fri has said that Casey was never active in Energy Transition's projects.

Peat Methanol Associates wants to build a \$250 million still in North Carolina to turn peat into methanol, also known as wood alcohol. But before proceeding, the partnership wants a federal price guarantee of 75 cents for every gallon of alcohol its proposed plant would produce.

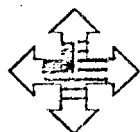
The Synfuels Corp., in making its first decisions since its inception in late 1980, selected the 11 finalists from 28 firms that had made proposals for innovative methods of manufacturing fuel. The corporation may choose as many of the projects as it wishes, probably on March 2.

ARTICLE APPEARED
ON PAGE 13

TIME
18 JANUARY 1982

New Man in a Bigger Post

Allen gets ousted; Clark gets his job and more authority too



"Dick, I just want you to know how delighted I am that both the Justice Department and my own counsel have cleared you of any wrongdoing in this silly fuss about wristwatches and a misplaced \$1,000. It was all so unfair to you. In fact, Dick, your service to the nation has been exemplary. Now, I must ask you to turn in your resignation."

Those, of course, were not the exact words used by Ronald Reagan as he dismissed Richard Allen as his National Security Adviser during a 25-min. meeting in the Oval Office last week. Still the President's basic message may have sounded very much that way to an embittered Allen, as the man at the top confirmed what some of his aides had been deliberately leaking to reporters for weeks: Allen was out, in the most important personnel change of the Administration's first year.

Although the timing inevitably linked his departure with the miniscandal, there were other reasons why Allen got the gate. He neither liked nor got along with Secretary of State Alexander Haig, and rarely hesitated to reveal that in public. He had not been effectively performing even his limited duties as a low-profile coordinator of foreign policy advice. He had been saddled with an impossible task, serving as a presidential adviser with no real clout and limited access to Reagan. With the job about to be redefined and strengthened, he simply did not have the personality or stature to handle it.

Allen was not widely liked at the White House, but some presidential aides felt that the Administration had treated him unfairly. Said one adviser, who had urged that Allen be removed from his

post: "Dick had a damn tough job and I felt sorry for him. He had responsibility without authority." Although Allen showed his bitterness, calling his ouster an act of "political sabotage," he gamely refrained from any name-calling. He agreed to serve temporarily as a part-time consultant (at \$190 per day) to help organize the newly created Foreign Intelligence Advisory Board, which will use experts outside of Government to evaluate the performance of intelligence agencies for the President.

Allen's letter of resignation praised Reagan's "historic presidency" and declared: "Your trust and confidence are a source of deep pride and satisfaction." In a "Dear Dick" answer, Reagan said that Allen had "served our nation with great distinction" and expressed "admiration for your personal integrity."

In their final meeting Allen had asked Reagan to let him stay on the job. Even if the post were given heavier responsibilities, he was confident he could handle them. As gently as he could, the President demurred. If Allen were to stay in office, Reagan said, he would be the object of continuing press criticism, and perhaps even a congressional investigation led by Democrats on Capitol Hill. Reagan had expressed to aides his annoyance at the heavy press attention given to Allen's negotiations with Japanese magazine writers who had interviewed the First Lady last January.

Displaying what one member of the NSC staff called "gutsy good humor," Allen attended a brief farewell meeting with about 25 of his former aides. He entered the room doing an impersonation of Richard Nixon, wagging his hands in a double "V" for victory and glowering at his audience. More seriously, he said he had never

avored the tight limitations under which he had labored. He suggested that if the role of National Security Adviser is enhanced, other staff members will be able to make more of a contribution to the council's work.

As expected, Reagan quickly appointed William P. Clark, who had been Haig's top deputy and the State Department's second highest official, to Allen's vacated post. Clark (*see box*) will have one immediate advantage that Allen lacked: he will brief the President daily on world affairs and will not have to report through an intermediary. Allen's approaches to Reagan always had to be made through Presidential Counsellor Edwin Meese, who was one of Allen's last-ditch defenders. Clark enjoys another edge: as chief of staff for Reagan when he was Governor of California, Clark had been the boss of Meese and Michael Denver, two members of the President's current troika. Whether there will now be, in effect, a quartet remains to be seen.

One reason for enlarging the National Security Adviser's role is to have someone in the White House who can mediate the frequent policy disputes between Haig and Defense Secretary Caspar Weinberger. When there are disagreements between them, or between the Secretaries and CIA Director William Casey, Clark will funnel the recommendations to the President in a form that he can handle. Since he has Reagan's ear as well as his confidence, Clark should be influential enough to relay Reagan's wishes back to Haig, Weinberger and Casey, thus precluding contradictory statements by these officials and their spokesmen.

There is one potentially serious flaw in the arrangement. Clark has less experience in foreign affairs than any other head of the NSC staff. As New York Times Columnist William Safire asked a bit acidly last week: "Who will brief the briefer?" One possible answer is that Clark

(CONTINUED)

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THE WASHINGTON POST
18 January 1982

Rowland Evans and Robert Novak

Taiwan Turnabout

The 11-part telegram from the State Department that rattled across the continent after Christmas to a vacationing president in California helps answer this perplexing question: why did Ronald Reagan reverse decades of personal conviction and turn down advanced weapons for Taiwan?

The message climaxed months of advice to President Reagan from the national security bureaucracy that selling Taiwan up-to-date warplanes for defensive purposes would risk a rupture of U.S. relations with Communist China. The telegram reiterated a warning, by now familiar to Reagan, that such sales might topple Deng Xiaoping and substitute an anti-American faction.

It is hard enough for Reagan to dispute experts on tax policy, an area where he has unusual confidence and personal experience. It was nearly impossible for this foreign policy novice to confront unified expert opinion in his administration that warned of ruinous consequences should the Washington-Peking connection be severed. By the time the president returned to the White House for a Jan. 7 National Security Council meeting, he had decided he must disappoint his old friends and foremost political cadres.

The decision concluded a virtuoso-bureaucratic performance by Secretary of State Alexander Haig, who timed his move through a narrow window, with Congress out of session and no dissent on the NSC staff thanks to the fall of Richard V. Allen. But beyond Haig's skill, Reagan's reversal again shows the tenacity of the permanent government in maintaining policy even against a doctrinaire president bent on change.

As a candidate, Reagan certainly was bent on changing Taiwan policy. He was sympathetic to the island's plight generally and its specific need for an around-the-clock adverse-weather plane to deter the giant neighbor across the Taiwan Strait.

After the election, the new China hands who had designed Jimmy Carter's policy stayed on the job. Charles Freeman, head of the State Department's China desk under President Carter, was chargé d'affaires in Peking. His reports went to his old colleagues on the China desk, including his former deputy, Scott Hallford. Freeman's reporting built the predictable case against advanced arms for Taiwan.

That helped shape reports by the CIA and Defense Intelligence Agency warning of dire consequences should Taiwan gets its arms. For example, a secret intelligence document last Oct. 22 on "the military situation in the Taiwan Strait" warned: "Sale of advanced weapons such as FX fighter or Harpoon missile to Taiwan would be perceived in Beijing [Peking] as part of a U.S. policy that obstructs reunification [with Taiwan]. PRC [People's Republic of China] would react strongly—probably by downgrading U.S. relations, cancelling or curtailing cooperative ventures and being more bellicose to Taiwan."

A closely held CIA report went further. The weapons sale could mean the fall of Deng, which might bring reconciliation with Moscow. Allen, then NSC director, so bitterly disagreed that he privately called the CIA reports "disinformation, or at least misinformation." Haig began to complain that Allen was making trouble about Taiwan.

Reagan himself was making trouble, to judge from his conversations with Republican members of Congress—including Sen. Jesse Helms. When Helms agreed to drop objections to a U.S.-Chinese consular treaty, he got the impression that Reagan would sell the FX aircraft to Taiwan.

But with Allen at political death's door in December, Haig moved quickly. He got agreement from Defense Secretary Caspar Weinberger that more than 40 Soviet divisions pinned down by China on the Sino-Soviet border made the Peking connection vital. CIA Director William Casey also backed Haig. With the NSC's directorship and Far Eastern desk temporarily untitled, there was no rebuttal. That long telegram sent to California noted implicit suggestion that the time to strike had arrived.

The one dissident was presidential counselor Edwin Meese. No more comfortable in foreign policy than his chief, Meese could not begin to refute the combined wisdom of State, Defense and the intelligence community. Neither could Reagan.

William P. Clark, newly brought in to replace Allen, was silent. Thus, at the Jan. 7 NSC meeting, nobody made the opposite case: that China, now as historically, will do what is in its best interests, whatever the kowtowing from Washington; that those troops on the Soviet border are there to protect China, not the United States; that Peking's refusal to say one word on Poland proves the absence of a U.S.-Chinese entente.

Politicians at the White House, surprised by the president's decision, were a little disturbed by the fact that the loudest hand-clapping over the announcement was from Rep. Stephen J. Solarz of New York, an anti-Reagan liberal Democrat. A devastated Jesse Helms told Clark that he no longer could count on him to support the administration on economic questions. That warning hints at perils for a president who risks alienation of his true constituency when he and his Cabinet follow the guidance of the permanent government.

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ARTICLE APPEARED
ON PAGE A-14

NEW YORK TIMES
18 JANUARY 1982

WASHINGTON TALK

Briefing

AFTER the niceties were out of the way at an informal encounter with some reporters the other day, the Director of Central Intelligence bluntly sought some intelligence.

"Why is the press dumping on me?" asked William J. Casey, chief of the C.I.A.

A reporter, with a good memory for past encounters between those who are paid to keep secrets private and those paid to make them public, replied, "At least nobody's written that Casey is stupid or crazy, the way one of your predecessors was described."

Mr. Casey took this with a genteel harrumph, then said, "Well, I guess I should mark that as a plus."

Francis X. Clines
Bernard Weinraub

'The mighty Casey has struck out'

CHICAGO—The last to know about two recent and dramatic events—the one in Poland and the other on the Golan Heights—seems to have been our Central Intelligence Agency. Communist Poland's military arm had barely clamped martial law on the Poles when the Israelis mounted the Golan Heights and announced they would militarize it and stay there. Since the State Department admitted that it had had no warning that these dramatics were about to take place, the conclusion has to be that the CIA itself was taken by surprise.

Coming as it did, the double steal gives CIA Director William Casey a novel entry in the record book. The captain of our spy team has been in place for almost a year, and yet his organization has flubbed two important plays within a few days. (To be sure, the agency, which employs thousands and spends billions without any accounting, can boast a tradition of flunking: It was caught unaware by revolution in Iran and by Russian aggression in Afghanistan. Too, some people wondered why the CIA had got no inkling of the fanatical Moslem stirrings in Egypt which led to the assassination of Anwar Sadat).

Still, these are arresting chapters in the saga of muddling through as recorded by the CIA—a saga which Senate leaders promise to pore over. But for the present, there is no joy in Muddleville; the mighty Casey has struck out.

Charles DeLacy



Kerry Waghorn

William Casey: no joy in Muddleville

STAT

PHILADELPHIA BULLETIN
11 January 1982

Casey takes another strike

The last time not-so-mighty William J. Casey was at bat, he got to first base on balls. The Senate Intelligence Committee found there was "no basis for concluding that Mr. Casey is unfit" to be CIA director.

Casey barely escaped the ax last summer for handing the CIA's covert operations job to a totally unqualified crony. He failed to list all kinds of holdings, liabilities, civil suits and clients in his financial disclosure statement. He refused to put his holdings in a blind trust.

Now he's gone to bat again and, it seems, taken a strike.

The Washington Post has apparently found solid evidence in government documents showing that five years ago Casey lobbied like a foreign agent for Indonesia. Yet he failed to register as a foreign agent. That was the trouble Billy Carter got into shilling for Libya, you may recall.

A lawyer is allowed to represent a foreign country if he appears in "established agency proceedings" — hearings, say, in a court or before congressional committee —

without registering as a foreign agent.

But in 1976 Casey met with Treasury Secretary William Simon and other Treasury and Internal Revenue Service officials in an effort get IRS policy changed as it related to Indonesia and some major oil companies.

That seems clearly an effort to "persuade or . . . influence (an) agency or official of the United States with reference to formulating, adopting or changing domestic or foreign policies." To pursue political activity on behalf of a foreign power, one must register as a foreign agent. Casey didn't.

Is that a big deal? By itself, it might not be, although it shows a lamentable insensitivity to the letter of the law for a man now charged with running the CIA.

How many more strikes have to be grooved past Casey before President Reagan either fires him or appoints a special prosecutor to investigate him?

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TIME
11 January 1982

Nation

TIME/ JANUARY 11, 1982

Sanctions as a Symbol

The U.S. reprisals: perhaps necessary, but far from forceful

"The world simply cannot stand by and permit the Soviet Union to commit this act with impunity . . . Neither the United States nor any other nation can continue to do business as usual with the Soviet Union."

An eerie echo rings through those words. They were not uttered by Ronald Reagan last week when he imposed sanctions against the U.S.S.R. in response to the declaration of martial law in Poland. Rather, they were spoken by Jimmy Carter, almost two years ago to the day, when he levied economic sanctions against the Soviet Union for its invasion of Afghanistan. Although Carter in effect cut nearly all U.S. economic and political ties to the Soviet Union, Reagan lashed out at his predecessor during the presidential campaign for failing to respond aggressively enough to the Soviets: if elected, Reagan promised he would act tougher toward Moscow.

There was thus a certain irony when the sanctions announced by Reagan last week were so mild that they amounted to a gnat's bite. Even more than Carter's reprisals, the new sanctions were symbolic, not substantive; Reagan may have conveyed the Administration's moral outrage at the crackdown on freedom in Poland, but his measures will have almost no impact. And by acting without support from Western allies,

Reagan has risked diminishing what little effect the sanctions might have. Said one Moscow-based Western diplomat: "Face it, the Soviets can buy most of the stuff they need from other countries."

Those who consider Reagan's measured policy wise could offer several plausible defenses. One was that even concerted action by the allies would probably not persuade Warsaw or Moscow to lift martial law, at least for the moment. Another argument was that some gesture had to be

made: mere silence would be perceived as acquiescence to an atrocity. More than that, it remained possible that Moscow would see the sanctions as only a first step, which might give the Soviets pause for restraint. Said one senior U.S. diplomat: "If we had come down like a ton of bricks at the outset, we would have no options left."

Finally, if Reagan's initial actions appeared too ineffectual to many, others believed that his verbal responses to the crackdown suitably combined righteous

anger with hints of flexibility and a new sense of pragmatism about the realities of foreign policy. For example, in an NBC television interview last week, Reagan emphasized that his actions were not meant to encourage the Poles to "start manning the barricades." Added Reagan: "Talk of that kind led the Hungarians years ago to take to the streets with little more than sticks and stones against Soviet tanks. We didn't want a repeat of that."

In announcing the sanctions, Reagan nevertheless made it clear that he thought the Soviets were the real instigators of martial law in Poland. "The Soviet Union bears a heavy and direct responsibility for the repression in Poland," said Reagan. "Further steps may be necessary, and I will be prepared to take them. American decisions will be determined by Soviet actions."

Among the sanctions that Reagan invoked:



In California, Reagan discusses sanctions with reporters
U.S. decisions will be determined by Soviet actions.

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PHILADELPHIA INQUIRER
10 JANUARY 1982

STAT

News Quiz

Questions are based on news reports in The Inquirer in the last week.

20. Government documents indicate that CIA Director William J. Casey lobbied in 1976 on behalf of a foreign government without registering as a foreign agent. For what country did he lobby?

Answers below

Quiz answers

20. Indonesia.

EXCERPTED

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PHILADELPHIA INQUIRER
10 JANUARY 1982

A warped account that makes Israel the villain at Suez

WARRIORS AT SUEZ.
Eisenhower Takes America
into the Middle East
Donald Neff
Simon & Schuster, \$17.95

Reviewed by
Leonard Boasberg

The Suez affair was not America's finest diplomatic hour.

Quite the contrary. The Eisenhower administration's handling of events, in the months surrounding November 1956, was a dismal example of American diplomacy at its worst.

The administration was confronted with two simultaneous crises just before the American presidential election. In the Middle East, Britain, France and Israel had retaliated in force against Egyptian strong-man Gamal Abdel Nasser's seizure of the Suez Canal and his terrorist attacks on Israeli civilians. In Europe, the Russians were crushing the Hungarian freedom fighters.

In Washington, the U.S. government managed a series of blunders that subverted our interests and those of our friends while advancing the interests of our adversaries.

"If the United Nations once admits that international disputes can be settled by using force, then we will have destroyed the very foundations of the organization and our best hope of establishing world order."

Thus spoke President Eisenhower, in whose administration the CIA had overthrown the Mossadegh Regime in Iran, in 1953, and a left-wing government in Guatemala, in 1954, and who would, in 1958, dispatch American Marines to Lebanon without a by-your-leave from the United Nations.

and whose secretary of state, John Foster Dulles, had proclaimed the doctrine of "massive retaliation at a time and place of our own choosing."

But Dulles was not speaking of the Soviet Union. To Moscow the United States would (and could) do little more than dispatch plaintive notes calling upon Russia, in vain, to leave the Hungarians alone.

What the United States could do — and did, in bizarre cooperation with

the Soviet Union — was to act against its own allies, in gratitude for which Nasser spent the next 14 years, until his death, in bitter hatred of the United States.

Not that the Suez affair was Britain's finest hour, or France's, or Israel's. The case can certainly be made that the adventure was misconceived from the beginning, that Britain, under the irresolute leadership of Anthony Eden, and France, defeated in Vietnam and bogged down in its foredoomed struggle to hold Algeria, had neither the power nor the will to bring the business to a successful conclusion.

In *Warriors at Suez*, however, Donald Neff makes another case. It is that Nasser was the good guy — a "vibrant new leader," a "statesman of international stature." The British and French, according to Neff, were the bad guys, but the worst guys were the Israelis.

Only eight months before Suez, Egypt and five other Arab nations had sent their armies to strangle the infant Jewish state in its cradle. They continued to maintain a state of war with it. Arab propagandists filled the air with extravagant threats of a "final solution" that Hitler had only come close to. Egypt was blocking the Suez Canal to Israeli ships, flouting the 1888 Constantinople Convention guaranteeing free passage to ships of all nations.

According to Neff, Israel's fear of Egypt was "hyperbolic."

It was Israel's "violent retaliatory policy" that provoked Nasser, causing him, in September 1955, to make an arms deal with Czechoslovakia, and to blockade the Straits of Iran, cutting off Israel's trade with Africa and Asia.

Neff, a former Time correspondent, is skillful in using Timestyle — loaded words and select-a-version. Thus, Nasser "pressed his case" for American weapons; Israeli Prime Minister David Ben Gurion "badgered" Washington and made "incessant demands" for American weapons. Nasser spoke in "temperate and rational" terms; Ben Gurion was "fustian" and "hyperbolic." Neff also makes the alleged influence of the "powerful Jewish lobby" in Washington;

the oil lobby, it seems, is not worth mentioning.

The book is simply not to be relied upon as objective history. The author shows little understanding of the complex forces swirling around and boiling up from within the Arab world — the nationalistic, theocratic, economic and tribal rivalries; the influence of Allah and oil, of mullahs and Marx, the reaction against Western culture as well as Western colonialism.

His method of citing — or, a good deal of the time, not citing — sources is unconventional, if not mystifying. What, to mention one minor example, is his source for the flat statement that when William Colby became CIA director in 1963 he fired James Angleton partly because that top spook had displayed "unusual partiality" for Israel? I asked Colby, who might be in a position to know his own motivation. "That wasn't the issue at all," he said.

Neff's treatment of quotations is cavalier, if not dishonest. In a note Neff says he's "taken the liberty" of putting paraphrased quotations of transcripts of telephone conversations "in direct quotes, always attempting to keep their integrity." His handling of secondary sources is, to put it mildly, casual. If you are interested in a balanced view of the Suez controversy, *The Suez Affair*, written by an eminent British historian, Hugh Thomas, and critical of Britain's role, remains one of the best.

Leonard Boasberg is a member of *The Inquirer's* editorial board.

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NEWSDAY (N.Y.)
10 JANUARY 1982

The Diverse Fortune Of CIA Director

By Bob Porterfield and Myron S. Waldman
Newsday Washington Bureau

Washington—CIA Director William J. Casey finds himself embroiled in a continuing controversy over his private business dealings. While there may be argument about the proprieties of some of those activities, there is no doubt that they have made him a very rich man.

His confidential statement to the Senate Intelligence Committee, provided during confirmation hearings last year and obtained by Newsday, lists his net worth at \$9,647,089. His stock portfolio is diverse and impressive, ranging from oil and oil-related stocks (\$2,069,037) to tobacco (Philip Morris, valued at \$347,000). He even values the cars he owns at \$50,000.

A staunch Republican in politics, he can be bipartisan when it comes to economics, investing \$200,000 in a California condominium project as an associate of Rep. James H. Scheuer, the liberal Democrat from Neponsit.

And he has shared his expertise. He has probably written more books on business and tax shelters—some of them with assistance—than Erle Stanley Gardner has written mysteries.

The official scrutiny of Casey in recent months has centered more on his private business activities than his official conduct. A Senate investigation into whether he misled stockholders and failed to inform the Senate of the full extent of his holdings ended with a conclusion that he was "not unfit" to serve as head of the CIA. Now he is being investigated by the Justice Department because of allegations that he may have violated a law by not registering as a foreign agent for the government of Indonesia several years ago. Casey contends he was not required to register.

The Indonesia matter was a small portion of Casey's activities as a businessman and lawyer. By Casey's own calculation, according to papers on file with the Senate Intelligence Committee, he earned only \$12,675 for the work.

Casey, a Roslyn Harbor lawyer who was an attorney for the New York law firm of Rogers & Wells when he handled the Indonesia case from 1976 to 1978, wrote the committee that: "I was compensated for my services through Rogers & Wells; my hourly rate at the time was approximately \$260 per billable hour."

He informed the committee that he accumulated "only 48 and three quarters billable hours with respect to the government of Indonesia and Pertamina [the Indonesian-owned oil company] between July 1976 and June 1978."

Without going into detail, he freely wrote to the committee about the meetings he held with Treasury Department and Internal Revenue Service officials on behalf of Indonesia—meetings now challenged in a Washington Post article as violating the Foreign Agents Registration Act. "I had a meeting at the Department

of Treasury," he stated, "and, I believe, two meetings at the Internal Revenue Service in the summer of 1976."

By Casey's standards, the money he received for the service to Indonesia was, indeed, minor. In his financial report to the Senate committee, he stated the worth of his municipal bonds (from the states of Ohio and Wisconsin) at \$188,782, his U. S. government bonds at \$19,343, and his equities at \$7,505,013. In addition, he listed cash and cash equities of \$23,951.

Among the criticisms of Casey is that he did not place his holdings in a blind trust when he was made CIA director, a post that gives him secret information that could be of financial benefit. The law does not require a blind trust, although several past CIA directors set them up voluntarily.

Many of Casey's investments are with companies that deal with the federal government, and within a month, additional federal aid may be forthcoming to one of those firms. On Jan. 18, the U.S. Synthetic Fuels Corp. will meet in Nashville to decide which of 27 firms should be awarded chunks of \$8.4 billion in federal subsidies for experimental projects. One of those 27 applicants is a firm called Peat Methanol Associates, in which Casey indirectly holds a \$10,000 interest.

Peat Methanol Associates is a partnership of two companies, Energy Transition Corp., a Washington-based consulting firm, and Koppers Co. Casey holds a one-fifth interest in Energy Transition, stock amounting to \$10,000.

Peat Methanol Associates would like to build a \$250-million plant in North Carolina that would turn peat into methanol, known as wood alcohol. But before that is done, the partnership would like a price guarantee of 75 cents for every gallon of alcohol its gigantic still would produce. The Synfuels Corp. will announce its decision next month.

Casey's four associates in Energy Transition Corp., like him, come out of the administrations of Richard M. Nixon and Gerald R. Ford. One of them, Robert Fri, former deputy administrator of the Energy Research and Development Administration, insists that Casey was never active in the company's affairs.

But it would be impossible for Casey, with his large portfolio, to be intimately involved in everything. His IBM holdings, for example, have a market value of \$178,189. And there are his oil company investments, valued at \$175,875 for Dome Petroleum, \$215,400 for AMOCO, \$361,500 for Superior Oil, \$136,000 for Amarex Inc., among others. He has not neglected Long Island when it comes to investments—his only listed public utility holding is stock worth \$11,411 in the Long Island Lighting Co. He loaned money to a racquetball court in Glen Cove and has investments in the Long Island Business Review and in Vanguard Ventures, a Glen Cove investment banking firm. He owns and leases a \$128,000 computer.

Casey's largest single holding, with a market value of \$4,253,200, is his investment in Capital Cities Communications, which owns radio and television stations as well as newspapers. In 1980, Casey was listed as a director of Capital Cities Communications.

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ON PAGE 1THE WALL STREET JOURNAL
8 January 1982

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* * *
CIA Director William Casey faces a Justice Department review of his initial failure to tell a Senate panel of his 1976 lobbying of Treasury and State Department officials in behalf of Indonesia, officials said. Department aides said an inquiry will determine whether he should have registered as a foreign agent. The CIA said Casey didn't believe he had to register.

* * *
Pravda charged that the CIA, under "directives from the top U.S. leadership," is engaged in extensive spying in the Soviet Union. The Communist Party newspaper asserted that U.S. agents posing as diplomats are using "sabotage and terror" to get information. Last Sunday, FBI Director William Webster suggested several hundred KGB agents, many serving as envoys, were in the U.S.

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NEW YORK TIMES
8 JANUARY 1982

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U.S. Memos Indicate Casey Didn't Report All Lobbying

WASHINGTON, Jan. 7 (AP) — William J. Casey, the Director of Central Intelligence, failed to tell a Senate committee the full extent of his lobbying on behalf of Indonesia in 1976, Government documents show.

The Justice Department's criminal division is reviewing the matter to see if Mr. Casey violated Federal law by failing to register as a foreign agent. Department officials say that in the past criminal charges have been brought only when a foreign agent tried to conceal his work.

In a revised disclosure statement filed with the Senate Intelligence Committee in September, two days before the panel ended its active investigation of his past business dealings, Mr. Casey acknowledged he had one meeting at the Treasury Department and two at the Internal Revenue Service in 1976 while representing Indonesia on a tax question involving its oil industry.

Letter From Law Firm Submitted

Mr. Casey did not say with whom he met. He submitted a letter from his former law firm, Rogers & Wells, describing the two sessions at Internal Revenue as "information meetings."

But I.R.S. documents show that Mr. Casey got in touch with the State Department in addition to Treasury and Internal Revenue officials. And documents and the recollection of officials who were involved indicate that Mr. Casey also got in touch with Charles M. Walker, the Assistant Treasury Secretary for tax policy.

The documents and interviews indicate that Mr. Casey was lobbying for a change in tax rulings affecting Indonesia.

Asked about the matter, the Central Intelligence Agency said today, "Rogers & Wells made a good faith determination in 1976 that no registration was called for. The firm continues to believe that determination was correct, and Mr. Casey concurs." The agency declined to answer any other questions.

'Tremendous Importance' Cited

On July 9, 1976, Mr. Walker wrote Commissioner Donald C. Alexander of the Internal Revenue Service that Indonesia had retained legal counsel in New York to help obtain a private tax ruling known in the revenue service as a tax letter. "I assume that, in view of the tremendous importance of this matter, the forthcoming ruling request will be expedited by your office," Mr. Walker wrote.

In an interview, Mr. Alexander said, "I recall Treasury's interest in this, and Treasury is not normally a party to a letter ruling. This wasn't the kind of case they got involved in normally."

A memorandum by Steven Hannes, a lawyer at the revenue service, shows he was called by Arthur Dornheim of the State Department's Indonesia Desk on Sept. 1 and 2, 1976. According to the memorandum, Mr. Dornheim told Mr. Hannes that Mr. Casey had said that the revenue service had refused to issue the tax letter and Mr. Dornheim asked what the service would need to make such a move.

The contacts are significant because they call into question the defense given by Mr. Casey for not registering. Mr. Casey's defenders have said he did not have to register because the law exempted lawyers doing legal work in established agency proceedings, as in the tax letter process.

But the documents show that the revenue service considered its tax letter process had never begun.

U.S. Taxpayer Request Needed

According to a memorandum of the revenue service, Assistant Commissioner John L. Withers told Mr. Casey at a meeting on July 14, 1976, that the service could not act "until a U.S. taxpayer requested a ruling from the service."

Mr. Withers then said, according to the memorandum, that since neither Pertamina, the Indonesian state oil company, nor Indonesia met that qualification, "some other entity such as a U.S. oil company would have to approach the service."

The documents also say that, at a meeting on Aug. 30, Mr. Withers again rejected Mr. Casey's arguments that the revenue service should be willing to rule on any request by Indonesia.

Mr. Casey and Rogers & Wells were hired by Indonesia in 1976 after the Internal Revenue Service ruled that payments by United States oil companies to Pertamina could no longer qualify for United States income tax credits.

The Senate committee found Mr. Casey not unfit to continue as Central Intelligence Director but could not determine whether he should have registered as a foreign agent. It referred that question to the Justice Department.

Mr. Casey never registered as an Indonesian agent, although Rogers & Wells and a partner in the firm registered in 1977.

Casey apparently failed to reveal full extent of work for Indonesia

Washington (AP)—The director of central intelligence failed to tell a Senate committee investigating his past business dealings of the full extent of his lobbying of Treasury and State department officials on behalf of Indonesia in 1976, government documents show.

The Justice Department's criminal division is reviewing the matter to see if Director William J. Casey violated federal law by failing to register as a foreign agent.

In a revised disclosure statement filed with the Senate Intelligence Committee last September—two days before the panel ended its active investigation of Mr. Casey—the CIA director acknowledged he had one meeting at Treasury and two meetings at the Internal Revenue Service in 1976 while representing Indonesia on a tax question involving that nation's oil industry.

Mr. Casey did not say with whom he met. He submitted a letter from his former law firm, Rogers & Wells, which described the two sessions at IRS as "information meetings."

But IRS documents obtained by the Associated Press show that Mr. Casey also contacted the State Department. And both documents and the recollection of officials who were then involved with the issue indicate that Mr. Casey also contacted Charles M. Walker, the assistant treasury secretary for tax policy, and possibly Treasury Secretary William E. Simon himself.

The documents and interviews show that Mr. Casey was lobbying administration officials outside formal channels to change U.S. tax rulings on

a matter of high importance to Indonesia.

Asked about the matter, the CIA said yesterday, "Rogers & Wells made a good-faith determination in 1976 that no registration was called for. The firm continues to believe that determination was correct, and Mr. Casey concurs." The agency declined to answer any other questions.

On July 9, 1976, Mr. Walker wrote IRS Commissioner Donald C. Alexander that Indonesia had hired New York legal counsel to help gain a private tax ruling known in the IRS as a tax letter. "I assume that, in view of the tremendous importance of this matter, the forthcoming ruling request will be expedited by your office," Mr. Walker wrote.

In an interview, Mr. Alexander said, "I recall Treasury's interest in this matter, and Treasury is not normally a party to a [tax] letter ruling."

A memo by IRS attorney Steven Hannes shows he was called by Arthur Dornheim of the State Department's Indonesia Desk on September 1 and 2, 1976. According to the memo, Mr. Dornheim told Mr. Hannes that Mr. Casey had informed him the IRS had refused to issue the tax letter ruling and Mr. Dornheim asked what the IRS would need to make a ruling.

The contacts are significant because they call into question the defense raised by Mr. Casey for not registering. Mr. Casey's defenders have said he did not have to register because the law exempts attorneys handling legal work, such as the tax letter ruling process.

But the documents show that the IRS ruled that its tax letter process had never even begun.

Mr. Casey and Rogers & Wells were hired by Indonesia in 1976 after the IRS ruled that payments by U.S. oil companies to Pertamina could no longer qualify for U.S. income tax credits.

In a seven-page memorandum, Mr. Casey said Indonesia wanted him to "preclear" with the Treasury Department and the IRS that rewritten contracts between Indonesia and U.S. oil companies would qualify the payments for U.S. tax credits.

A source familiar with the case said, "There was a fair amount of pressure to rule on behalf of a foreign government and that had never been done before."

In interviews, Mr. Simon, Mr. Walker and Mr. Dornheim said they did not specifically recall meetings with Mr. Casey but were familiar with the case.

Mr. Dornheim said he talked with members of Mr. Casey's firm, perhaps including Mr. Casey himself.

"I looked upon his efforts as normal activity to assist the Indonesians," Mr. Dornheim said. "They desperately needed this foreign investment and if something could be worked out, it seemed to me to be an avenue worth pursuing."

The Senate committee found Mr. Casey not unfit to continue as CIA director, but could not determine whether he should have registered as a foreign agent, and referred that question to the Justice Department.

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THE WASHINGTON POST
8 January 1982

Senate Probe Data on Casey Not Given to Justice Dept.

By Patrick E. Tyler
Washington Post Staff Writer

The Senate Intelligence Committee has declined so far to provide the Justice Department with hundreds of pages of documents and testimony gathered in the committee's investigation of Central Intelligence Agency Director William J. Casey last fall. Officials said yesterday that Senate rules prevent such disclosure without a vote of the committee or perhaps the full chamber.

The documents include Treasury Department and Internal Revenue Service memoranda that show Casey in 1976 lobbied top Treasury officials on behalf of Indonesia to win multimillion-dollar changes in IRS foreign tax credit rulings.

The Intelligence Committee last month asked the Justice Department to determine whether Casey should have registered as a foreign agent for Indonesia. Justice officials requested the documentary record of the three-month Senate investigation just before the Dec. 16 recess, but the request was not presented to the senators.

A spokesman for the Justice Department, Thomas DeCair, said its review of the Casey matter is going forward without the committee's material. Earlier this week another Justice official said that none of the basic documents had been obtained or examined and that no interviews had been conducted with the principals.

A spokesman for Sen. Daniel Pat-

rick Moynihan (D-N.Y.), the committee's acting chairman, said yesterday that "Sen. Moynihan would have no objection to providing the Justice Department with the evidence gathered by the Select Committee on Intelligence, but of course that is not a decision he can make unilaterally."

An aide to Moynihan, Michael D. McCurry, said the documents were being withheld under a Senate rule that says, "No . . . paper presented to the Senate . . . shall be withdrawn from its files except by the order of the Senate." McCurry said the committee members would probably not take up the matter until after they return Jan. 25.

Committee spokesman Spencer Davis said that "almost all" of the documents gathered during the committee's investigation were obtained from the files of the Treasury Department and IRS. He said that Justice Department officials have been advised to request their own copies of the records from those departments. "It's just part of the general caution of the Senate in turning anything over to the executive branch," Davis said.

Senate staffers said that in addition to the Treasury and IRS documents, the Intelligence Committee took testimony from a number of witnesses. Also, a 100-page report on Casey's Indonesian activities and other business dealings was compiled by one of the committee's special counsels, but the senators declined to make it public.

The Washington Post yesterday described Casey's lobbying activity in an article based on many of the documents, which showed that he was advocating specific changes in tax policy outside established channels with top political appointees of the Ford administration, including Treasury Secretary William E. Simon.

The CIA issued a statement yesterday saying that the law firm that Casey served as counsel at the time of his Indonesian work, Rogers & Wells, "made a good-faith determination in 1976 that no registration [as a foreign agent] was called for. The firm continues to believe that determination was correct and Mr. Casey concurs."



WILLIAM J. CASEY
... Justice Dept. review going forward

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FOR PUBLIC AFFAIRS STAFF

PROGRAM NBC Nightly News STATION WRC TV
NBC Network

DATE January 7, 1982 7:00 PM CITY Washington, DC

SUBJECT Investigation of William Casey

JOHN CHANCELLOR: More today on the Justice Department's investigation of the activities of William J. Casey before he became Director of the CIA.

Casey, acting as an unregistered foreign agent, has admitted meeting with the Internal Revenue Service five years ago on behalf of a client of his law firm, the government of Indonesia. But the Associated Press reports today that IRS documents show Casey also met with officials at the State Department, which Casey did not disclose to the Senate Intelligence Committee.

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7 January 1982

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CASEY

BY MICHAEL J. SWIFFEN

WASHINGTON (AP) -- CIA DIRECTOR WILLIAM J. CASEY FAILED TO TELL A SENATE COMMITTEE INVESTIGATING HIS PAST BUSINESS DEALINGS OF THE FULL EXTENT OF HIS LOBBYING OF TREASURY AND STATE DEPARTMENT OFFICIALS ON BEHALF OF INDONESIA IN 1976, GOVERNMENT DOCUMENTS SHOW.

THE JUSTICE DEPARTMENT'S CRIMINAL DIVISION IS REVIEWING THE MATTER TO SEE IF CASEY VIOLATED FEDERAL LAW BY FAILING TO REGISTER AS A FOREIGN AGENT. DEPARTMENT OFFICIALS SAY THAT IN THE PAST, CRIMINAL CHARGES HAVE BEEN BROUGHT ONLY WHEN A FOREIGN AGENT TRIED TO CONCEAL HIS WORK.

IN A REVISED DISCLOSURE STATEMENT FILED WITH THE SENATE INTELLIGENCE COMMITTEE LAST SEPTEMBER -- TWO DAYS BEFORE THE PANEL ENDED ITS ACTIVE INVESTIGATION OF CASEY -- THE CIA DIRECTOR ACKNOWLEDGED HE HAD ONE MEETING AT TREASURY AND TWO MEETINGS AT THE INTERNAL REVENUE SERVICE IN 1976 WHILE REPRESENTING INDONESIA ON A TAX QUESTION INVOLVING THAT NATION'S OIL INDUSTRY.

CASEY DID NOT SAY WITH WHOM HE MET. HE SUBMITTED A LETTER FROM HIS FORMER LAW FIRM, ROGERS & WELLS, WHICH DESCRIBED THE TWO SESSIONS AT IRS AS "INFORMATION MEETINGS."

BUT IRS DOCUMENTS OBTAINED BY THE ASSOCIATED PRESS SHOW THAT CASEY ALSO CONTACTED THE STATE DEPARTMENT, AND BOTH DOCUMENTS AND THE RECOLLECTION OF OFFICIALS WHO WERE THEN INVOLVED WITH THE ISSUE INDICATE THAT CASEY ALSO CONTACTED CHARLES M. WALKER, THE ASSISTANT TREASURY SECRETARY FOR TAX POLICY, AND POSSIBLY TREASURY SECRETARY WILLIAM SIMON HIMSELF.

THE DOCUMENTS AND INTERVIEWS SHOW THAT CASEY WAS LOBBYING ADMINISTRATION OFFICIALS OUTSIDE FORMAL CHANNELS TO CHANGE U.S. TAX RULINGS ON A MATTER OF HIGH IMPORTANCE TO INDONESIA.

ASKED ABOUT THE MATTER, THE CIA SAID THURSDAY, "ROGERS & WELLS MADE A GOOD FAITH DETERMINATION IN 1976 THAT NO REGISTRATION WAS CALLED FOR. THE FIRM CONTINUES TO BELIEVE THAT DETERMINATION WAS CORRECT, AND MR. CASEY CONCURS." THE AGENCY DECLINED TO ANSWER ANY OTHER QUESTIONS.

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THE WASHINGTON POST
7 January 1982

Casey Lobbied Without Registering

By Patrick E. Tyler
Washington Post Staff Writer

William J. Casey, as a private lawyer working for the Indonesian government, lobbied top officials of the Treasury Department in 1976 for multimillion-dollar changes in the U.S. tax law without registering as a foreign agent.

Casey, now Central Intelligence Agency director, has contended in past Senate inquiries that he performed limited legal services and attended "informational meetings" with Internal Revenue Service officials. But government documents obtained by The Washington Post indicate that Casey was advocating specific changes in tax policy outside established channels with top political appointees of the Ford administration, including Treasury Secretary William E. Simon.

The issue of whether Casey should have registered as a foreign agent is under Justice Department review following last fall's Senate Intelligence Committee inquiry, which concluded Casey was not unfit to serve as director of the CIA. Stanley Sporkin, CIA general counsel, has maintained that Casey was not required to register as a foreign agent.

Casey's representation of Indonesia, as documented by memoranda from the IRS and Treasury, is similar to the case of lawyers Clark M. Clifford and Paul Warnke, both former high government officials. They were required to register as foreign agents for Algeria in 1975 after Justice officials learned that the two had met in 1971 with U.S. government officials in an attempt to expedite Export-Import loans to Algeria.

In many instances, the Justice Department requires registration after the fact. In 1980, President Carter's brother, Billy, also was forced to register for his Libyan representation, which caused embarrassment to the administration.

A lawyer representing a client, including a foreign government, in an "established proceeding" such as an IRS tax ruling case is not required to register as a foreign agent, but is supposed to register if engaged in "political activity." The law defines that as any action intended to "persuade or in any other way influence any agency or official of the United States . . . with reference to formulating, adopting or changing the domestic or foreign policies of the United States . . ."

Documents and interviews with former officials show that Casey met first with the treasury secretary and the assistant secretary for tax policy, a State Department official and later with IRS officials, urging the IRS to put aside its objections to the Indonesian production contracts with major American oil companies and the claims for tax credits for overseas taxation. In 1978 the IRS came around to the position favored by Indonesia.

On July 8, 1976, Casey met with Simon and his assistant secretary for tax policy, Charles M. Walker, to enlist their aid. Walker followed the meeting by writing a July 9, 1976, memorandum to then IRS Commissioner Donald C. Alexander urging him to expedite new tax rulings.

In an interview this week, Alexander said that Simon and Walker became involved in the foreign tax credit question. "I just thought the IRS ought to have called them the way we saw them without regard to political considerations."

Both Simon and Walker said recently that they do not recall the meeting, but they do not dispute what the government documents show.

Attorney General William French Smith, in the most recent policy statement on foreign agent registra-

tion, said in a report last fall that his department would require "complete public disclosure by persons acting for or in the interests of foreign principals where such activities are political in nature or border on the political."

Casey's argument that he was not required to register as a foreign agent centers on the exemption for attorneys performing legal services in what the law calls an "established agency proceeding."

IRS regulations specifically state that only U.S. taxpayers may apply for IRS rulings in an established agency proceeding, which requires a formal application and specific submissions. Casey made no such application and instead attempted to win a favorable policy change for Indonesia by going through top Treasury officials.

Justice spokesman Joan Russell said yesterday that private lawyers have an obligation to register as agents of foreign clients "when they attempt to influence or persuade government officials, except in established agency proceedings."

"In other words," Russell said, "arguments must be made in a proceeding rather than informally up on the Hill or over the breakfast table or in private meetings in the executive branch. It has to be some sort of forum, such as a court or a hearing."

Another knowledgeable Justice Department official who asked not to be named said that the circumstances described in this story would normally require registration as a foreign agent.

The Indonesian tax matter began in May, 1976, when major oil companies operating in Indonesia, including Texaco, Atlantic Richfield and Mobil, were put on notice that the IRS would no longer treat their "production sharing" arrangements with the Indonesian government as a foreign tax that could be deducted from U.S. taxes.

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THE WASHINGTON POST
7 January 1982

JACK ANDERSON

Why So Few Believed in The 'Hit Squad'

Senate Majority Leader Howard Baker announced weeks ago that the threat to President Reagan and other high officials from Libyan assassination squads was "diminishing." What was diminishing was the credibility of the reported threat.

The charges that led to the international uproar—and the tightened security measures at U.S. border crossings—were contained in a 40-page secret report by the Central Intelligence Agency to the National Security Council. My associate Ron McRae has seen parts of this report.

From the outset, foreign policy experts outside the spy agency assessed the CIA's assassination alarm as "possible, but not much better than 10 percent." But obviously, however farfetched the possibility, it had to be treated seriously by security agencies.

"The Secret Service tracks down dozens of crank calls every year, including threats to shoot Reagan with psychic bullets," one official pointed out, adding, "But we don't broadcast them all over the world."

What made non-CIA people in the administration suspicious of the

Libyan hit squad story is clear from the CIA report itself:

- The chief source of the hit squad allegation, who claimed to have been present when Libyan dictator Muammar Qaddafi gave orders for the assassins' mission, demanded \$500,000 for his information (whether he received it is unknown). The fact that the informer passed a lie-detector test is not compelling; a practical liar can beat the gadget, particularly someone with the coolness to demand a half-million for his story.

- The informer also provided the names of some buddies in Beirut who would be willing to sell information on the drug traffic. The CIA recognized some of them as hustlers who had been peddling phony documents for years. Oddly enough, though the CIA itself was dubious about this part of the informer's material, the Drug Enforcement Administration began stuffing suitcases full of cash in anticipation of a big score in Beirut.

- Two of the 14 names on the hit squad were members of the Lebanese Shiite Moslem sect, Amal, which has been engaged in a blood feud with Qaddafi since their leader, Mousa Sadr, disappeared in Libya in 1978. The FBI claimed that the names were included because of a "computer error" and were quickly removed. Yet the names were still on the list in documents issued at least 12 days later.

- Several of the informers are known to have connections with Israeli intelligence, which would have its own reasons to encourage a U.S.-Libyan rift.

- The report calls the evidence of the hit squad's existence "overwhelming," and predicts that "more detailed information is forthcoming" from reliable sources. None materialized.

- The CIA report predicted confidently that its evidence "guarantees the support of allied governments in any action deemed reasonably necessary to protect the lives of American officials." In fact, our allies, when briefed on the CIA findings, found them unconvincing—in a class with the white paper on El Salvador earlier last year, which was later shown to have relied on highly questionable and probably forged documents.

Footnote: There is a possibility that the CIA was played for a sucker by its own "disinformation" campaign directed at Qaddafi. The campaign, ordered by CIA Director William J. Casey last May, used foreign nationals for the dirty work.

Knowing what the CIA wanted, and without proper supervision by American agents, it's possible the CIA's foreign hirelings cooked up the "hit squad" on their own. It fit neatly into the Reagan administration's political scheme of things, and—voilà! a full-blown international incident was born.

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THE WASHINGTON POST
6 January 1982

JACK ANDERSON

FBI, CIA Play A Little Game Of Snow White

The FBI and CIA are playing a little game of Snow White: "Mirror, mirror, on the wall, who's the purest of them all?"

The CIA, it seems, has its doubts about the FBI's elite, 110-man counterintelligence staff. This is a role-reversal of the days when the late FBI director J. Edgar Hoover doubted the CIA people's loyalty. Here's one incident:

In late October, the FBI assigned two G-men to the CIA for liaison duty. The FBI agents belonged to the bureau's counterintelligence force, supposedly the *creme de la creme*.

But in the course of their duties, the FBI men would have access to documents even beyond the top-secret category for which they had been cleared. So the CIA made them submit to the agency's rigorous polygraph tests, something the FBI does not require.

One of the G-men passed the lie-detector test; the other flunked. The CIA refused to give the second man clearance.

The questions in the CIA's polygraph examinations are extremely personal. They include such subjects

as sexual preference and practices, past and present, and any other personality traits that might render a CIA employee vulnerable to blackmail, greed or ideological temptation.

All CIA employees know they may be asked to take a lie-detector test at any time, without warning or stated reason. An innocent-looking red security pass merely turns up on the employee's desk. It's a non-refusable invitation to the security office for interrogation, while-hooked up to the sweat-and-pulse beat machine.

But FBI agents aren't accustomed to such treatment. So when the one agent failed the CIA polygraph, his bureau bosses were unimpressed.

The questions the G-man flunked involved his continuing contacts with the KGB. Sources told my associates Dale Van Atta and Indy Badhwar that the agent, as a counterintelligence officer, dealt with undercover KGB people as part of his job. He may have expressed some sympathy for one of his KGB targets. No big deal, according to the FBI.

But to the CIA, the FBI man was a potential double agent. CIA Director William J. Casey and his deputy, Adm. Bobby R. Inman, were reportedly alarmed by the polygraph test results. They suggested that all 110 FBI counterintelligence agents be run through the CIA's lie-detector tests. Inman, a fan of polygraphs since his days as head of the National Security Agency, strongly urged the idea.

When FBI Director William Webster broached the idea tentatively, he was confronted with a virtual rebellion. The counterintelligence staff refused to submit to the rival agency's polygraphs, and some threatened to quit en masse if required to do so. Webster told the CIA to forget about the polygraph tests.

What Webster didn't realize, according to my sources, is that there were two reasons his counterintelligence agents didn't want to take the polygraph tests. One was their professional distaste for being pushed around by another bureaucracy.

But the main reason was fear that the CIA lie-detectors might turn up some unpleasant information.

Footnote: A CIA spokesman denied that any such dustup with the FBI has occurred.

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6 January 1982

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NEW YORK DAILY NEWS
4 January 1982

PEOPLE

By PHIL ROURA and TOM POSTER

SAY RAY OFFERED \$250G TO CONTROL PAPER

Secretary of Labor Raymond Donovan, a major backer of the defunct newspaper The Trib, invested about \$350,000 in the New York tabloid in 1978 and tried to pump another \$250,000 to gain control of the paper but was blocked by the brother-in-law of former U.S. Sen. James Buckley, it was learned.

Donovan's dealings with The Trib and his relationship with Douglas LaChance, former head of the newspaper deliverers union, may come under scrutiny by special federal prosecutor Leon Silverman, who will probe allegations of a union payoff by Donovan's company in a separate matter. Donovan asked for the probe following allegations that he was present when a payoff was made to buy labor peace for the Schiavone Construction Co. of Secaucus, N.J.

The Trib began publishing in Jan. 1978 and, after an initial sale of 250,000 copies, LaChance's drivers refused to distribute it. Donovan called LaChance, and the two met in the Hotel Algonquin bar. The day after this meeting, confirmed by Assemblyman Doug Prescott (R-Queens), then an aide to publisher Len Safir, LaChance lifted the stoppage.

Safir confirmed that Donovan tried to pump new money into the paper in order to gain control. "He

put \$250,000 on the table at a meeting of our board of directors," Safir said yesterday. "But that would have given him control of the paper, and Buckley's brother-in-law, Ray Learsy, who was the major stockholder, didn't want to give up control. Buckley was also at the meeting, but he didn't say a word. Donovan's money was rejected."

Safir, Buckley's original campaign manager, folded the paper shortly before the three dailies here were struck in the summer of 1978. He insisted he had no knowledge about what took place at the Jan. 10 meeting or how Donovan had convinced LaChance to call off the stoppage by his drivers.

"I had nothing to do with the talks because I was busy at the paper," said Safir. "Donovan was protecting his investment by meeting with LaChance."

Also involved with the newspaper as board members were William J. Casey, now director of the CIA, and former Secretary of the Treasury William Simon, who had invested \$20,000 but withdrew before publishing started.

LaChance is in federal prison for accepting illegal payments of \$250,000 from newspaper distributors. An appeal to reduce the term recently was denied.

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TIME
4 JANUARY 1982

The White House and Impropriety

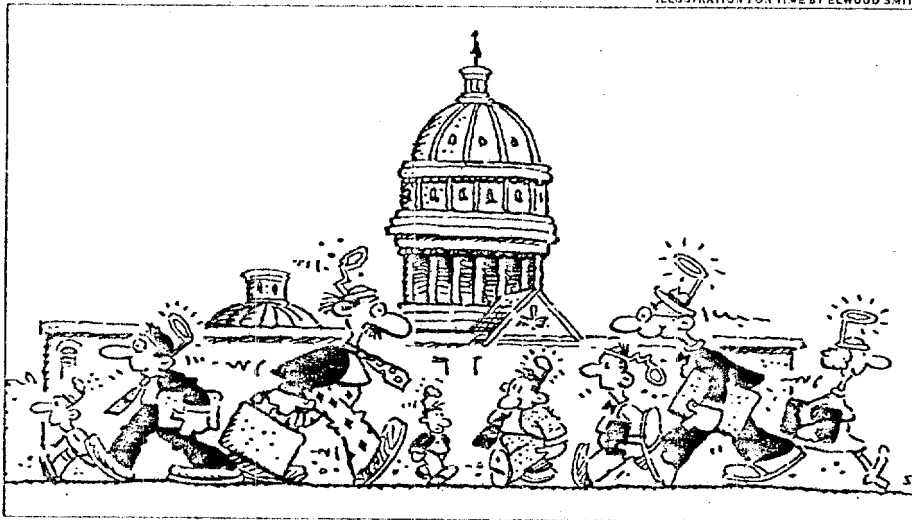
Are private sector ethics failing the Reaganauts in office?

It was a fine week for scandal buffs. On Tuesday, Labor Secretary Raymond Donovan denounced his principal accuser in a bribery investigation as a "damnable and contemptible liar," and insisted that a special prosecutor be appointed to investigate the matter further. Next day the Justice Department announced that it was obliging Donovan, as, in fact, it had planned to do even before he spoke out. Within hours, Attorney General William French Smith closed down a separate inquiry into the affairs of Richard Allen, the White House National Security Adviser, with no finding of wrongdoing. Nonetheless, Allen remained on "administrative leave" while White House staffers debated whether or not he should return to office.

for some kind of symbolic rehabilitation. It took months for Deputy Chief of Staff Michael Deaver to find an appropriately obscure post for Stans, but find one he eventually did. In early December Stans was named to the board of the Overseas Private Investment Corp., which insures private U.S. investment abroad. Explained one of Reagan's top advisers: "The President felt that here was a man who had worked hard for his country and his party, a decent man who had suffered a lot."

Reagan's compassion is commendable in principle but leaves at least one large question unanswered. Did he really intend to put the presidential seal of approval on the dubious tactics that typified fund raising during the 1972 campaign?

ILLUSTRATION FOR TIME BY ELWOOD SMITH



Bulletins of this kind have become disturbingly common in recent months, despite the Administration's affection for law-and-order rhetoric. Ronald Reagan speaks from his Middle American viscera when he says that lawlessness demands a "spiritual solution" and that retribution "should be swift and sure."

But to some degree the Administration is displaying a double standard. Reagan's stern preachments, it is now clear, are aimed at murderers, rapists and pornographers. For white-collar violations of the law, there is understanding and forgiveness; for the suspicion of impropriety, there is sympathetic patience.

One prominent example of this generous and benign attitude is Maurice Stans, 73, the chief money raiser for Richard Nixon's 1972 re-election campaign. Stans had pleaded guilty to five misdemeanor counts during the post-Watergate investigations of political fund-raising. Since Reagan assumed office, Stans has been quietly lobbying among his friends on Capitol Hill and in the Administration.

Similar questions arise about the appointment of Armand Hammer, chairman of Occidental Petroleum, as head of the President's Cancer Panel. In 1975, Hammer pleaded guilty to three misdemeanor charges involving improper contributions to the campaign fund administered by Stans. It was hardly a major matter, and Hammer is an esteemed U.S. business leader. But if the President wanted a successful corporate executive to chair this panel, surely there was someone available who had not openly confessed to illegal political activities.

Reagan and his legal advisers firmly believe that some of the post-Watergate prosecutions and regulations went too far. They may be right, but that is not the point. Juries found ample evidence to convict the principal Watergate conspirators; bipartisan majorities in Congress agreed with a widespread public sentiment that loopholes in the laws about financial disclosure for Government officials and campaign finance practices needed to be closed. The Reaganauts may want the

laws, but to flout their spirit out of private conviction is to display debatable judgment—and is risky politics to boot.

That seeming indifference to the particular and more demanding standards expected of public servants is apparent in the Administration's attitude toward what is becoming a continuing problem for the White House: doubts about the ethical judgments of officials in sensitive jobs. To be sure, a quick exit was arranged for one such official whose business transactions as a private citizen came under scrutiny. He was Max Tugel, who was widely viewed as ill-equipped to serve as chief of covert operations for the CIA anyway.

But other questions remain troubling. Should not the Administration have been much more fastidious at the outset in checking out Allen's and Donovan's business affairs? Should it not have had the foresight to require that its controversial CIA director, William Casey, be scrupulous in disclosing his financial dossier?

There is no proof that any of these men are guilty of anything, and presumably they are not, but legal culpability is only one issue. A more important one is the seeming indifference in high places to the appearance of possibly dubious practices. These incidents, along with others involving lesser officials, demonstrate that too many of Reagan's men have dull eyes for the keen edge of propriety. In an Administration containing many wealthy individuals, for example, only two dozen have put their assets in trust arrangements scrutinized either by the Office of Government Ethics or the Justice Department.

A few of Reagan's political advisers privately bemoan the lax attitudes. But they seem unable to change a mind-set that starts with the President himself. Part of this outlook is the product of strong, sincere views about Big Government vs. the individual, an attitude shared by Reagan and his original inner circle of wealthy California advisers. As authors of their own success stories they resent the intrusion of do-gooders and Government regulators into their affairs. Financial disclosure requirements are nettlesome; in fact, they are an invasion of privacy. What is more, sharp financial practices hardly amount to a cardinal sin. A man on his way to his first million or two in a competitive field may have to deal with business associates who are not wearing halos.

Transferring these standards to the White House, however, causes problems, to which Ronald Reagan so far has been insensitive. Many of his wealthy appointees appear so conscious of the incomes and comfort that they gave up in order to join the Administration that they resent the additional sacrifice that the laws of disclosure require. But the ability to survive under a microscope has become a political requirement in Washington since Watergate. Perhaps those who find the scrutiny intolerable should not hold

President Agrees To Replace Allen In Security Post

By John M. Goshko
 Washington Post Staff Writer

President Reagan has agreed to a plan to increase the power of his national security affairs adviser and will name Deputy Secretary of State William P. Clark to replace Richard V. Allen in that post early this week, senior administration sources said last night.

The sources said Reagan tentatively made the decision after a lengthy meeting with close political advisers in Palm Springs, Calif., yesterday. However, the sources continued, the president wants to defer a formal announcement until after his return here today and further discussions with advisers, including presidential counselor Edwin Meese III, who was not present at the Palm Springs meeting.

Reagan met yesterday with Secretary of State Alexander M. Haig Jr. for 30 minutes at the estate of Walter Annenberg, where the president is a guest. They were later joined by Clark and White House deputy chief of staff Michael K. Deaver.

Barring the unexpected, the sources stressed, Clark will be named—possibly on Monday or Tuesday—to the restructured security adviser's post with powers that will put him at the top levels of the White House decision-making process.

It was reported that Allen had asked to meet with the president on Monday.

The sources said no decision has been made about Clark's replacement as principal deputy to Haig. But, they added, those under discussion as potential replacements are U.N. Ambassador Jeane J. Kirkpatrick; James L. Buckley, undersecretary of state for security affairs; and Lawrence A. Eagleburger, assistant secretary for European affairs.

The decision to replace Allen and upgrade the security adviser's job was motivated partly by the problem of Allen's recent difficulties over his receipt of a \$1,000 honorarium from a Japanese magazine and partly by a consensus in the White House top echelon that the national security apparatus had not worked effectively during Reagan's first year in office.

Allen, who reported to Reagan through Meese, was far more circumscribed in his authority than previous occupants of the post.

Allen is on administrative leave and was cleared recently by the Justice Department of allegations involving his receipt of the \$1,000 and of three watches, as well as questions over his financial disclosure statements. He is still awaiting a final White House review of the propriety of his conduct.

It was not immediately clear whether Allen will be offered another job in the administration if the review absolves him.

Under the new system, tentatively approved by Reagan yesterday, the sources said, the national security adviser will have direct, day-to-day operational responsibility for all matters involving foreign relations, defense and intelligence. He will meet daily with the president and will deal directly with Haig, Defense Secretary Caspar W. Weinberger and CIA Director William J. Casey.

The practical effect of this new division of responsibilities will be to put Clark on a par with the triumvirate of Meese, chief of staff James A. Baker III and deputy chief of

staff Deaver, who have run the White House policy-making and daily operations.

This upgrading represents a turnabout from the administration's original desire to avoid concentrating so much authority in the national security adviser's job. Instead, Allen had been subordinated to Meese in the hopes of averting the kinds of conflicts that occurred in previous administrations between the national security adviser and Cabinet officials.

However, senior officials revealed last week that it had been decided that the national security policy-making machinery had become bogged down in confusion and lack of coordination because there was no single focal point in the White House for contact with top officials of State, the Pentagon and the CIA.

In addition, the situation had been compounded by personality conflicts between Allen and other officials, most notably Haig.

Clark, 50, is a former California Supreme Court justice and a longtime political associate of the president. He served as Reagan's first chief of staff while Reagan was governor of California in the 1960s.

Clark had no experience in foreign policy when he came to Washington and was criticized heavily for showing an embarrassing lack of expertise in international affairs during his Senate confirmation hearings last February. In the months since, however, he has carved out an important niche at the State Department through his ability to mediate between Haig and such old political associates as Meese and Deaver at the White House.

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THE WASHINGTON POST
2 January 1982

U.S. Never Met the Test Poland Presented

West Floundered, Missed Opportunities

By Murrey Marder
Washington Post Staff Writer

A record of confused and contradictory American responses to the 16-month crisis in Poland is buried in history's boldest attempt to liberalize communist rule in Eastern Europe.

No official is prepared to open the books on that record now when the Reagan administration is performing the political rite of proclaiming a

News Analysis

year of outstanding accomplishments.

But in private, many chagrined experts on Eastern Europe are hanging their heads over what they see as a pattern of lost opportunities in perhaps the most significant test that the United States, as leader of the West, has encountered in a decade.

The failure was conceptual and operational. By succumbing to its preoccupation with the American economy, the Reagan administration was ill equipped to cope with an unprecedented diplomatic-economic challenge abroad. No coherent strategy for handling the Polish problem ever was devised that might, through the use of economic assistance and diplomatic leverage, have forestalled the final crackdown.

Instead, the United States relied on piecemeal aid infusions and occasional warnings to Moscow, while chaos in Poland mounted.

Without any imaginative lead from the United States, the West as a whole floundered through the months of crisis until Poland's Solidarity movement and the Polish government inescapably collapsed over the preservation of communist rule in that nation.

The Reagan administration is justified in asserting that it did foresee, even though some ranking officials did not, that the Polish crisis was unlikely to explode in accordance with the single-track contingency plan of the North Atlantic Treaty Organization—a frontal invasion by the Soviet Union and its Warsaw Pact allies.

In the judgment of many of its own specialists, however, that foresight only compounded the failure of the West to agree on any other course of action before the curtain clanged down on Poland Dec. 13.

At least by the middle of last June, it was widely recognized inside the State Department, the National Security Council and the CIA, that it would require a heroic effort of western leadership to salvage the audacious Polish experiment.

The order of magnitude for such an effort needed to be comparable in concept—although not in actual outlay of American funds—to the post-World War II Marshall Plan for the reconstruction of Western Europe.

At stake in Poland, a pivotal nation in the Soviet design in Europe, were consequences transcending those of the crushed Hungarian revolution of 1956 or Czechoslovakia's obliterated "Prague Spring" of 1968. For Poland had produced the first authentic, nationwide workers revolt against orthodox communist rule, inside a system which claimed, above all, to represent the dictatorship of the proletariat.

Accordingly, the challenge perceived by specialists was that the

Instead, it was argued, the preservation of a unique measure of freedom in Poland could be seen as a security priority for the United States comparable to the administration's plans to spend billions of dollars on military hardware. With this criteria, activists maintained, the United States should measure what it stood to gain, or lose, on the same scale as MX missiles, B1 bombers and Trident submarines.

The choices were expressed bluntly in the internal debate:

"What would the Russians pay to get Poland back to where it was? Ten billion dollars? Twenty billion dollars? If you formulate the question this way, the answer is compelling about what we should do?"

But the answer obviously was not compelling enough.

It is unclear on the public record whether the questions ever were fully debated in the presence of President Reagan, or even before such influential advisers as counselor Edwin Meese III, chief of staff James A. Baker III, deputy chief of staff Michael K. Deaver, Treasury Secretary Donald T. Regan and Office of Management and Budget Director David A. Stockman.

The idea that the United States, and especially a right-of-center Republican administration transfixed by commitments to fiscal solvency, should consider spending anything on the order of billions of dollars "to prop up a failing communist regime," as it was characterized, to quote one insider, literally was "laughed out of court."

It succeeded in engaging their attention," one dismayed specialist ruefully recalled.

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THE WASHINGTON POST
1 January 1982

Allen's Job Expected to Go to Clark

President Plans To Upgrade Post Of Security Adviser

By John M. Goshko
and Martin Schram
Washington Post Staff Writers

President Reagan plans to increase greatly the power of his national security affairs adviser and is expected to move Deputy Secretary of State William P. Clark into that job as replacement for Richard V. Allen.

This shift, which would put Clark at the top levels of White House decision-making, still is technically dependent on a decision by Reagan about whether to retain Allen, who is on administrative leave. He was cleared last week by the Justice Department of allegations of illegalities in his past business dealings, but is still awaiting a final White House review of the propriety of his conduct.

However, senior White House sources said yesterday that now that Reagan has decided to upgrade the national security adviser's post, it is very unlikely that Allen will be retained.

Clark, an old friend and political associate of Reagan, was in Palm Springs, Calif., with the president yesterday and could not be reached for comment. According to the sources, though, a decision on the change could be made by the time the president returns here Sunday and is likely to be announced early next week.

The sources said the move was motivated not only by the notoriety surrounding Allen's legal difficulties but also by a consensus in the White House top echelon that the national security apparatus had not worked effectively during the first year of Reagan's presidency. Allen, who reported to Reagan through White House counselor Edwin Meese III, was far more circumscribed in his authority than previous occupants of his post.

Meese, who earlier had originally resisted suggestions that the national security position be elevated, recommended the upgrading of the adviser's job in a conversation with the president this past week, according to a senior White House official, and Reagan is said to have agreed. The president was also said to have agreed with Meese's recommendation that, if Allen is to be replaced, his successor should be Clark.

White House chief of staff James A. Baker III and deputy chief Michael K. Deaver, who with Meese run the White House staff, reportedly had come to the same conclusions.

Meese made his recommendation to the president after conducting a study of the National Security Council staff's operations.

The official said Meese concluded that national security policy-making had been plagued by "confusion" and lack of coordination because there was "no single focal point" in the White House for contact with top officials of the State Department, the Defense Department and the Central Intelligence Agency.

"The person who is the national security adviser must have direct access to the president," said the senior official. "And just as important, he must have the perception of direct access in the eyes of State, Defense and the CIA."

This position represents an about-face from the administration's original publicly stated desire to avoid the concentration of power in the national security adviser's job by subordinating him to Meese.

In previous administrations, this concentration of power had caused frequent embarrassing conflicts between such occupants of the job as Henry A. Kissinger and Zbigniew Brzezinski and Cabinet officials.

Under the new system, the national security adviser will have "direct day-to-day operational responsibility," according to the senior presidential official. He will meet daily with the president, and will deal directly with Secretary of State Alexander M. Haig Jr., Defense Secretary Caspar W. Weinberger and CIA Director William J. Casey.

Although Meese will retain overall responsibility for policy coordination, the practical effect of the new division of responsibilities will put the national security adviser more or less on a par with the White House's controlling staff triumvirate of Meese, Baker and Deaver.

Meese is known to have maintained within the White House staff that he never wanted to supervise day-to-day national security coordination but was forced into that role because "personality conflicts" developed from the outset between various officials, notably Haig and Allen.

"It got to the point where we had Al Haig talking with Jim Baker or Mike Deaver or Ed Meese, but there was no single focal point at the White House," the senior official noted.

The hope of improved future coordination apparently was a major factor in turning to Clark.

Although the former California Supreme Court justice had no experience in foreign policy when he came to Washington, he has carved out an important niche during his months at the State Department through his ability to mediate effectively between the often mercurial Haig and the White House.

Clark, 50, did this by winning Haig's trust and confidence, while retaining his credentials as a member in good standing of the group that has been Reagan's political inner circle since his days as governor of California.

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COMMENTARY
January 1982

Reagan & the Russians

Walter Laqueur

IT is a sensible custom to suspend judgment about the policy of a new administration. Six months have passed and another six, and in a press conference President Reagan has provided an interim assessment of his own: "Our accomplishments with regard to foreign policy have been astounding." The word "astounding" has various meanings and connotations, but not even President Reagan's arms-reduction proposals of late November can redeem the impression that in foreign policy, 1981 was unfortunately not an *annus mirabilis*. Evidence for this conclusion lies all around, in the Middle East and Asia, in Latin America and Africa, but perhaps nowhere so saliently as in the main arena of international affairs, U.S.-Soviet relations.

TERRORISM was the first international issue on which the Reagan administration took a strong stand. Welcoming the Teheran hostages back home, President Reagan announced that there were limits to American patience; in the future, our policy would be one of "swift and effective retribution." In his first news conference, the very next day, Reagan stressed that a lot of options were open to this big and powerful nation; terrorists would no longer go to bed at night in the certain knowledge that nothing untoward would happen to them before morning. Secretary of State Alexander Haig, in a press conference the same week, accused the Soviet Union of training, funding, and equipping terrorist groups as part of a conscious policy, and said that the battle against international terrorism would be this administration's way of securing human rights.

Haig himself, it should be recalled, had been the victim of a terrorist attack while serving as NATO commander-in-chief. Soon after taking office, President Reagan was also shot at, albeit not by an international terrorist. There was every reason to think that out of the experience and beliefs of these men some energetic action would flow, or at the very least some damaging revelations about the

links between the Soviet Union and the terrorists. But what happened in fact was short of sensational. A plan was discussed to merge two State Department working groups to deal with the problem; the new body was to be headed by a deputy undersecretary or even assistant secretary rather than an ambassador as in the past. The message was clear: an upgrading of effort in bureaucratic terms, but nothing to sow panic in the ranks of terrorists. Then in May the State Department held a conference to which academic specialists on terrorism were invited, along with some government experts. However welcome such meetings, the fact is that academic studies of terrorism have not so far had a decisive impact on the battle against the phenomenon. Lastly, it was announced that the State Department would be working "strenuously toward possible UN action on terrorism"—again a commendable effort, but not a departure.

The CIA took positive action, reportedly only after some energetic prodding by William Casey, its new director: it revised upward its statistics on terrorism. Where a 1980 report claimed that some 3,536 international terrorist incidents had taken place since 1968, the revised statement of June 1981 said that the real cumulative figure was 6,714. According to Richard T. Kennedy of the State Department, 1980 had been a record year with 642 people killed, including 10 Americans. Yet at the same time it was stated that Americans (and American property) were the most frequent targets in international terrorist attacks. There was clearly a discrepancy in these figures.

The key to the riddle is in the arbitrary character of the statistics, a matter which could be passed over without further comment were it not typical of the general confusion prevailing in the field. It is one thing for the Secretary of State or the President to use the term "terrorist" a little loosely. No one expects them to adhere to a scholarly definition, and in any case scholars in this field do not agree with one another. But once it comes to taking action, or even to preparing statistics, it is of some importance to differentiate among terrorism, guerrilla warfare, civil war, insurgency, and various

The Nobody's Perfect Awards

Here Are 1981's Fun Couples, Slow Thinkers,
Famous Flops, and Other Memorable Moments

By Howard Means

Well, Bill, seventeen months with some people can be a lifetime: When CIA Director William Casey appointed Max Hugel as chief of clandestine operations, he explained that though Hugel was new to the intelligence service, the two men had had a long, trusting relationship. When Hugel resigned his post in the face of allegations of stock manipulation, Casey said that he'd known Hugel "only seventeen months."

Casey file

Whose Side is the CIA on?

The Central Intelligence Agency is up to its old tricks again—dirty tricks. The boys in the backrooms seem determined to lower themselves to the Soviet level and adopt tactics that in the past have been reserved for terrorists and tyrants. CIA operatives are fomenting world terrorism, which we profess to abhor; they are spreading "disinformation" when the truth would be a far more powerful weapon.

I cannot think of an instance in the last 20 years when a covert CIA operation enhanced our security without damaging our credibility as the world's leading spokesman for freedom and democracy. More likely, the CIA's clandestine stunts embarrassed our country, held us up to global ridicule, played into the hands of our adversaries or invited retaliation in kind.

Consider the litany of CIA fiascoes—the attempt to invade Cuba with a ragtag refugee force that was easily defeated at the Bay of Pigs; the plot to dose up Fidel Castro so his beard would fall out; the contract with the Mafia to have him knocked off; the scheme to smuggle poisoned toothpaste into Africa to kill left-wing leader Patrice Lumumba; the clandestine military operations in Laos and Iraq, which backfired and ended in the slaughter of mountain tribesmen abandoned by the CIA; the agent who plugged in a lie detector and blew out all the lights in a Singapore hotel; and the bizarre scheme to try to contact dead Soviet agents by seance on the assumption that, since dead, these agents would recognize the errors of their ways and spill their secrets.

These abuses and absurdities finally brought a congressional clampdown on the CIA. No more reckless engineering of coups in other lands, the agency was told, and no more attempts to foment revolutions and to assassinate foreign leaders. But now a conservative backwash threatens to "unleash" the agency again—a salivating prospect for the "old boy" operatives whose arrested maturation and glandular imaginations were precisely what made "covert" a dirty word and brought on the crack-

administration offer much hope that it will resist the pressure to unshackle the CIA. Too many in this administration seem oblivious to the menace that poverty, hunger, racism, religious fanaticism and right-wing oppression pose to global stability and, ultimately, to our own security. Instead, they seem obsessed with the notion that the Kremlin, Castro and Qaddafi are the only threats—and ergo, that any enemy of theirs is a friend of ours.

On the basis of top-secret documents I have examined and confidential information I have received from CIA contacts, I can report to you today that the CIA is preparing to join forces with totalitarian regimes and anti-communist factions to carry out covert operations around the world—operations as bizarre and potentially as counterproductive as those that disgraced the agency and our country in the Sixties and Seventies.

Bill Casey, the doddering director of the CIA, thinks he's found a way to get around restrictions on covert operations abroad and a way to circumvent the law which forbids the CIA from operating in our own country. Casey thinks he can get foreign agents to do the dirty work, with our support.

He argues that the dismantling of U.S. covert capabilities has left Pres-

Casey thinks he can get foreign agents to do our dirty work, with our support.

ident Reagan "with no reasonable option other than increased cooperation with anti-communist forces abroad." A top-secret planning document recommends that "consideration be given to improving the capability of the agency to rapidly escalate aid to anti-com-

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That could put our country, the bastion of democracy, in bed with

RAISING HELL!

BY JACK ANDERSON

and traditions than a loathing of communism. It could also leave us with a wide open window of vulnerability.

Libya and Cuba are priority targets, of course, for any new round of covert activities inspired by the CIA. Within the protected corridors of CIA headquarters in McLean, Va., there is whispered speculation about bizarre schemes to do away with Qaddafi. A hit man could pose as one of the Libyan ruler's team of international mercenaries and slip him a delayed-effect poison, for example. There would be no symptoms for the first 48 hours, enough time for the assassin to exit the country. Qaddafi would then come down with symptoms indistinguishable from certain viral diseases; he would become paralyzed, slip into a coma and expire—without a trace of the poison left in his body.

The CIA got the idea for this poison from the Rumanian secret service, which used it to dispose of some dissidents who had been given asylum in western nations. The assassins were never caught. I have seen the formula for the poison, which could be mixed in many chemical labs; but journalistic responsibility forbids me from publishing

The CIA considered using a tiny dart, made up to resemble one of the black

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*Strained in response to
article about DCI.*

STAT

~~SECRET~~

Rogers & Wells made a good-faith determination in 1976
that no registration was called for. The firm continues
to believe that determination ^{was} is correct, and Mr. Casey concurs.